

## Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AGR-05 COME-00 TRSE-00

FRB-03 AID-05 CIAE-00 INR-07 NSAE-00 OMB-01 XMB-02

/047 W

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R 070949Z JUL 75

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 9560

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PASS OPIC

E.O. 11652: N/A

TAGS: EFIN, EAGR, TS

SUBJ: WALLACE VISIT TO TUNISIA RE POTENTIAL IN AGRI-BUSINESS  
INDUSTRIES

REF: STATE 143981

SUMMARY: FORREST WALLACE VISIT EXTREMELY USEFUL IN HIGHLIGHTING  
TO GOT OFFICIALS NEED FOR CLARIFICATION OF TUNISIAN REGULATIONS  
REGARDING FOREIGN INVOLVEMENT IN AGRI-BUSINESS IN TUNISIA.  
VARYING OPINIONS WERE EXPRESSED BY MIN AG BELKHODJA, BDET AG.  
ADVISOR AND PRIME MINISTER. PM INVITED INTERESTED U.S. FIRMS  
TO SUBMIT QUESTIONNAIRE ON AGRIBUSINESS TO HIM FOR COMPREHENSIVE  
REPLY. IF LEGAL PROBLEMS CAN BE RESOLVED, WALLACE BELIEVES  
TUNISIA VERY PROMISING SITE FOR LARGE-SCALE AG PROJECTS.  
SPECIFIC WALLACE PROPOSAL RE VEGETABLE PRODUCTION FOR EXPORT TO  
EUROPE FAVORABLY RECEIVED BY MIN BELKHODJA. ACTION REQUESTED:  
OPIC/AGRI-BUSINESS COUNCIL DRAFT COMPREHENSIVE QUESTIONNAIRE  
ASAP TO TAKE ADVANTAGE PM INVITATION; OPIC HOLD IN ABEYANCE  
PROPOSED LEGAL STUDY. END SUMMARY.

1. FORREST WALLACE LEFT TUNIS JULY 1 AFTER 12-DAY VISIT.  
DURING VISIT HE HAD TWO LONG MEETINGS WITH MIN AGRICUL-  
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TURE BELKHODJA AND HIS CHEF DE CABINET, EZZEDINE CHELBI,

AND ALSO HAD SERIOUS DISCUSSIONS WITH: API DIRECTOR OF PROMOTION HICHERI; BDET AGRICULTURE CONSULTANT MSEDDEI; TWO PROMINENT TUNISIAN LAWYERS, AND SEVERAL PRIVATE BUSINESSMEN. EMBOFF ACCOMPANIED WALLACE FOR MEETING WITH BELKHODJA AND ARRANGED SEVERAL APPOINTMENTS. ON INVITATION MINISTER BELKHOJA, WALLACE ALSO MADE LONG TRIP TO SOUTHERN TUNISIA TO LOOK AT POSSIBLE GROWING AREAS FOR ESTABLISHMENT OF VEGETABLE EXPORTING VENTURE. WALLACE PREPARING FULL REPORT ON HIS VISIT, WHICH WILL BE SUBMITTED DIRECTLY TO OPIC AND AGRI-BUSINESS COUNCIL.

2. ALTHOUGH WALLACE WAS IMPRESSED BY UNDERDEVELOPMENT OF TUNISIAN AGRICULTURE AND RELATED PROCESSING INDUSTRIES, FROM VERY BEGINNING HE RAN INTO OBSTACLES PRESENTED BY TUNISIAN LAWS AND REGULATIONS RE INVOLVEMENT OF FOREIGNERS IN AGRICULTURAL PRODUCTION. WHILE SOME HIGH TUNISIANS (E.G., MSEDDEI) ASSURED HIM THAT FOREIGN INVESTORS ESTABLISHING AGRICULTURAL MARKETING VENTURE OR PROCESSING PLANTS WOULD HAVE NO DIFFICULTY ASSURING SUFFICIENT CONTROL OVER AGRICULTURAL PRODUCTION TO ESTABLISH VIABLE OPERATION, OTHER SOURCES, INCLUDING MINISTER BELKHOJA HIMSELF, SAID IT COULD NOT BE DONE. WALLACE TOLD BELKHOJA THAT IN VIEW OF UNCERTAINTY HE BELIEVED OPIC WOULD BE PREPARED RESPOND TO REQUEST TO COMMISSION A STUDY IN ORDER DETERMINE DEFINITELY EXTENT SUCH INVOLVEMENT POSSIBLE AND PROCEDURES TO BE FOLLOWED WITHIN EXISTING LAWS AND REGULATIONS. THIS WOULD HELP US PRIVATE INVESTORS AND INDICATE WHETHER THEY SHOULD CONTINUE TO BE ENCOURAGED TO LOOK AT INVESTMENT OPPORTUNITIES IN TUNISIA. BELKHOJA SAID THAT OPIC PERFECTLY FREE TO MAKE SUCH A STUDY ON ITS OWN BUT THAT GOT COULD IN NO WAY GET INVOLVED SINCE THIS WOULD GIVE IMPRESSION THAT MINISTRY WORKING WITH FOREIGNERS TO STUDY WAYS TO CIRCUMVENT TUNISIAN REGULATIONS AND POLICIES.

3. WHILE BELKHOJA WAS NEGATIVE IN REGARD TO ATTRACTING FOREIGN PRIVATE INVESTMENT IN AGRI-BUSINESS VENTURES IN GENERAL, HE APPEARED ENTHUSIASTIC IN REGARD TO WALLACE'S SPECIFIC PROPOSAL ON BEHALF OF HIS OWN FIRM LIMITED OFFICIAL USE

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TO MARKET TUNISIAN VEGETABLES TO WESTERN EUROPE. AFTER CONSIDERABLE DISCUSSION, ROUGH FORMULA WAS DEVELOPED PROVIDING FOR AMERICAN COMPANY TO MARKET PRODUCE, TUNISIAN COMPANY (PROBABLY STATE ENTERPRISE STIL) TO PRODUCE VEGETABLES AND MIXED COMPANY TO CREATE PACKING CENTER. MARKETING COMPANY WOULD TELL PRODUCTION COMPANY WHAT AND HOW MUCH TO PRODUCE AND WHEN, SET QUALITY STANDARDS, AND PROVIDE TECHNICAL AND MANAGERIAL

ASSISTANCE, SEEDS, AND POSSIBLY OTHER INPUTS TO  
GUARANTEE ADEQUATE SUPPLY OF PRODUCE. BELKHOJA  
ASSURED WALLACE THIS FORMULA ACCEPTABLE UNDER TUNISIAN  
LAW BUT REFUSED RECOGNIZE IT AS GENERAL ARRANGEMENT OPEN  
TO OTHER INVESTORS.

4. WHEN WALLACE POINTED OUT THAT MINISTER'S ENDORSE-  
MENT OF HIS SPECIFIC PROJECT BUT NEGATIVE RESPONSE TO  
OPIC/AGRI-BUSINESS DESIRE TO EXPLORE INVESTMENT POSSI-  
BILITIES IN GENERAL WOULD APPEAR STRANGE TO OPIC,  
MINISTER REFUSED TO ELABORATE. WALLACE MADE DETER-  
MINED EFFORT THROUGH CHEF DE CABINET CHELBI AND OTHER  
CONTACTS TO TRY TO OBTAIN CLARIFICATION.

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AGR-05 COME-00 TRSE-00

FRB-03 AID-05 CIAE-00 INR-07 NSAE-00 OMB-01 XMB-02

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R 070949Z JUL 75

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 9561

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5. WALLACE VISIT GAVE AMBASSADOR EXCUSE TO RAISE  
PROBLEM OF UNCERTAINTY FACED BY FOREIGN INVESTMENT  
IN AGRI-BUSINESS INDUSTRIES INVOLVING AGRICULTURAL  
PRODUCTION DURING HIS TALK WITH PRIME MINISTER NOUIRA  
ON JUNE 30. WITHOUT SPECIFICALLY QUOTING MINISTER  
BELKHOJA, AMBASSADOR POINTED OUT CONFLICTING INFORMATION  
WHICH WALLACE HAD OBTAINED DURING HIS VISIT. PM CLEARLY  
PLACED HIMSELF ON SIDE OF THOSE TUNISIANS WHO BELIEVE  
THERE ARE WAYS IN WHICH FOREIGN INVESTORS CAN INVOLVE  
THEMSELVES SUFFICIENTLY IN AGRICULTURAL PRODUCTION TO

ASSURE PROFITABILITY OF IMPORTANT AGRI-BUSINESS PROJECTS. HE SUGGESTED THAT INTERESTED AMERICAN FIRMS PREPARE COMPREHENSIVE QUESTIONNAIRE ON FACTORS ON IMPORTANCE TO POTENTIAL INVESTORS IN REGARD LAWS ON FOREIGN CONTROL OVER AGRICULTURAL PRODUCTION AND SEND IN FORM OF LETTER TO PM. PM WOULD ASSURE COMPLETE RESPONSE TO THESE QUESTIONS, WHICH COULD THEN SERVE AS DEFINITIVE GUIDELINE FOR US INVESTORS INTERESTED IN SUCH INDUSTRIES IN TUNISIA. PM APPARENTLY TOOK IMMEDIATE ACTION FOLLOWING TALK WITH AMBASSADOR SINCE SPECIAL MEETING WAS CONVOKED JULY 1 TO EXAMINE PROBLEM OF CONTROL OVER AGRICULTURAL LAND BY FOREIGNERS.

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6. COMMENTS: A. MINISTER'S EQUIVOCAL POSITION SHOULD BE RESOLVED BEFORE CONTINUING TO ENCOURAGE ADDITIONAL AGRI-BUSINESS VENTURES IN TUNISIA OR EVEN PROCEEDING WITH PROPOSAL TO STUDY LAWS REGARDING LAND TENURE AND AGRICULTURAL PRODUCTION BY FOREIGNERS. BELKHOJA'S ATTITUDE DIFFICULT TO UNDERSTAND. SOME SOURCES HAVE SUGGESTED THAT HE MAY WISH TO RESTRAIN US PRIVATE INVESTMENT IN TUNISIA AND DIRECT IT PRIMARILY TO STATE ENTERPRISE STIL, WHICH HE HELPED DEVELOP AND WHICH COVERS WIDE VARIETY OF AGRICULTURAL PRODUCTION AND RELATED ACTIVITIES.

B. EMBASSY RECOMMENDS THAT OPIC/AGRI-BUSINESS COUNCIL CONTINUE TO SUPPORT BUSINESS PROPOSAL BY WALLACE ON VEGETABLE MARKETING VENTURE. FEASIBILITY STUDY NECESSARY FOR THIS VENTURE WILL UNDOUBTEDLY UNCOVER SOME ADDITIONAL INFORMATION WHICH COULD BE MADE AVAILABLE TO ALL POTENTIAL US INVESTORS AS WELL AS HELP CLARIFY AGRICULTURAL PRODUCTION PROBLEM. CONCLUSION OF SATISFACTORY AGREEMENT ON WALLACE PROPOSAL WOULD ALSO BE FOOT-IN-THE-DOOR FOR POSSIBLE OTHER VENTURES AND MIGHT GIVE US FIRMS SLIGHT ADVANCE IN WHAT APPEARS TO BE PROFITABLE AREA.

C. RATHER THAN PROCEEDING WITH POSSIBLE LEGAL STUDY SPONSORED BY OPIC OF TUNISIAN AGRICULTURAL LAND REGULATIONS, EMBASSY RECOMMENDS THAT WE TAKE ADVANTAGE OF PM'S INVITATION TO SUBMIT QUESTIONS IN ORDER TO DEFINE MORE CLOSELY POSSIBLE ROLE FOR FOREIGNERS IN TUNISIAN AGRICULTURE. EMBASSY RECOMMENDS THAT OPIC IN CONSULTATION WITH AGRI-BUSINESS COUNCIL AND POSSIBLY LEGAL COUNSEL PREPARE COMPREHENSIVE LIST OF QUESTIONS GOVERNING ALL ASPECTS OF SUBJECT WHICH WOULD ELICIT CLEARCUT RESPONSES DEFINING ONCE AND FOR ALL SITUATION AS IT EXISTS TODAY. QUESTIONS SHOULD BE CAREFULLY AND

CLEARLY FORMULATED IN LAYMEN'S LANGUAGE IN ORDER TO  
PERMIT TRANSLATION BY EMBASSY INTO FRENCH AND TO TRY TO  
ASSURE THAT MINISTER'S RESPONSE WILL GIVE CLEAR  
GUIDANCE TO FIRMS SERIOUSLY INTERESTED IN COMING TO  
TUNISIA. EMBASSY WOULD APPRECIATE RECEIVING QUESTIONNAIRE  
AS EARLY AS POSSIBLE IN ORDER TO TAKE ADVANTAGE OF  
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NOUIRA'S INVITATION AND IMPACT OF WALLACE VISIT, WHICH  
HAS HELPED DRIVE HOME TO HIGHER LEVELS OF GOT IMPOR-  
TANCE OF RESOLVING THIS QUESTION IF AMERICAN PRIVATE  
INVESTMENT IS TO BE ATTRACTED BY VERY PROMISING  
LARGE-SCALE AGRICULTURAL PROJECTS HERE.  
SEELYE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGRIBUSINESS, VEGETABLES, SURVEYS, MARKET OPPORTUNITIES, AGRICULTURAL PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975TUNIS04102  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750233-0846  
**From:** TUNIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750779/aaaacstj.tel  
**Line Count:** 241  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION OPIC  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 143981  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** SmithRJ  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 AUG 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 AUG 2003 by CunninFX>; APPROVED <05 DEC 2003 by SmithRJ>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** WALLACE VISIT TO TUNISIA RE POTENTIAL IN AGRI-BUSINESS INDUSTRIES  
**TAGS:** EFIN, EAGR, TS, F D WALLACE & ASSOCIATES  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006